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profits

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A TRUE PARTNERSHIP

NURTURING YOUR SUPPLIER RELATIONSHIPS

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BDC
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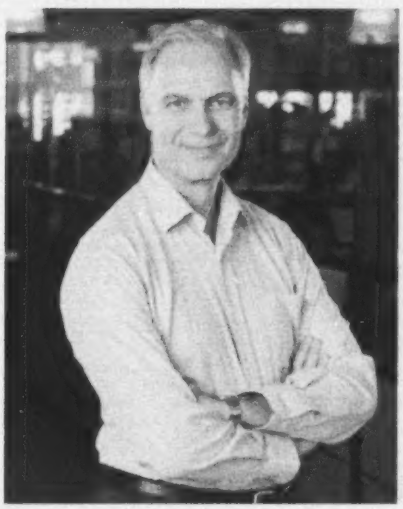
Good supplier relationships are vital to the success of **JIM GRAGTMANS**'s technology firm, ET Group. Like many of Canada's most successful companies, ET Group relies on suppliers to help it improve operations, innovate and grow. How can your company get more value out of these critical relationships?



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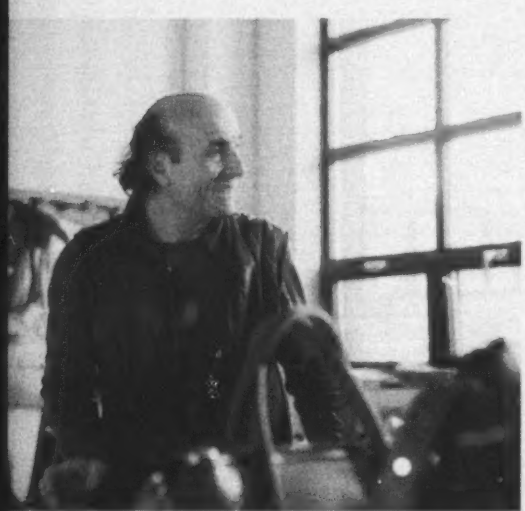
CHRIS KENNEDY had high hopes when he and his father-in-law moved their families from rural Ontario to Moncton to start a new business. But their new life soon turned into an entrepreneurial trial by fire that they overcame only through extraordinary perseverance.



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GLOBAL APPEAL

FRÉDÉRIC MAMARBACHI has built a loyal customer base for his subtly stylish leather handbags, coats and accessories. His m0851 fashions are now sold in 23 stores worldwide and there's much more growth ahead.

JEAN-RENÉ HALDE
PRESIDENT AND CHIEF EXECUTIVE OFFICER

THE AMBITION TO WIN

CANADA'S LONG-TERM PROSPERITY IS THREATENED BY THE IMPORTANT BUSINESS CHALLENGES WE FACE. **WE CAN OVERCOME THEM**, BUT WE HAVE TO GET STARTED NOW.

Canada's economy looks relatively healthy as we start a new year. An accelerating recovery in the U.S. and lower Canadian dollar are stimulating exports and that, in turn, is boosting manufacturing and related parts of the economy. *(For more details, see Chief Economist Pierre Cléroux's 2015 economic outlook on page 23.)*

Over the longer term, Canadian entrepreneurs can count on some impressive strengths, including a robust banking system, a highly educated workforce and a business-friendly regulatory system.

But when we take a deeper look at our economy, we see some worrisome, long-term trends that threaten our standard of living.

- Business spending on R&D is half that of the U.S. and one-third that of Sweden.
- The U.S. is outspending Canada on technology by about 50% per worker, a big contributor to a widening productivity gap between our countries.
- Canadian investment in machinery and equipment is also lacklustre, one of the lowest among developed countries.
- Our per capita income is US$8,814 lower than that of the U.S.

These trends should be of more than academic interest to you. They are concrete evidence that we're falling behind in a race that pits our companies against the best in the world.

You can make your company more competitive, regardless of its size or sector. To do so, you need a strategic vision, a willingness to invest for the future and the courage to strike out in new directions. You also have to be willing to sharpen your own management and leadership skills.

At BDC, it's our business to provide you with the financing and advice you need to set high goals and achieve them. We're just as ambitious as you are for your business. Together, we can achieve great things.

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BDC Entrepreneurs first

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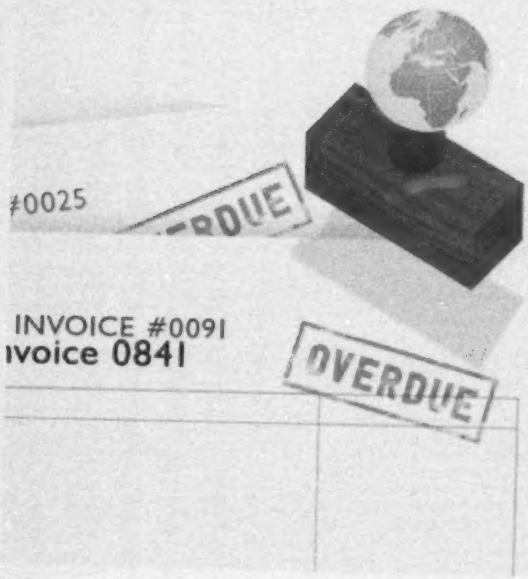
CREDIT MANAGEMENT BASICS FOR EXPORTERS

Offering attractive credit terms to your foreign customers can be a good way to increase your sales abroad. **Unfortunately, it also increases your risk of not getting paid.**



Here are six steps that will help make sure you collect on your invoices.

1. Collect basic information about your customer as well as contact information for at least three businesses that have extended credit to the company.
2. Check your customer's credit history and establish credit limits.
3. Use a first sale to start building a long-term, trusted relationship with your customer. This is the No. 1 tool for managing credit risk.
4. Make sure the credit and payment terms in your sales agreements are clear.
5. Establish a routine to regularly update credit information on your customers.
6. Develop a standard process for handling overdue accounts promptly.

In some situations, an otherwise excellent deal may carry more risk than you are comfortable with. In this case, you should consider using receivables insurance, which will typically cover up to 90 per cent of your losses if a customer defaults.

This article was adapted from Export Development Canada's website edc.ca. For more information on credit management for exporters, please visit edc.ca/creditmanagement.

MANAGEMENT TIP

THE POWER OF MARKET RESEARCH

Dan Cavanagh has more than doubled student enrolments at DelMar College of Hair and Esthetics since he and his wife, Carla, took over the Calgary business in 2010. Careful market research has allowed Cavanagh to identify potential clients, evaluate demand for new courses and find opportunities. ■ "Before starting a new course, we research the market carefully by talking to high schools, potential clients and relevant professionals. For example, we investigated the film industry's needs in Alberta for a course in special-effects makeup. We ask visitors to our website targeted questions, conduct online surveys and assess our promotional campaigns by analyzing the traffic they generate. We also relied on market research when we updated our corporate image. We approached our students, showing them mock-ups of new logos and prospective corporate colours. The students told us what they found most appealing and their participation also encouraged closer identification with the college."

DAN CAVANAGH
PRESIDENT / DELMAR COLLEGE OF HAIR AND ESTHETICS

STRENGTHEN YOUR BUSINESS THROUGH BETTER DELEGATION

DELEGATE NOW TO REDUCE STRESS AND GROW YOUR BUSINESS

01 ASSESS YOUR WORKLOAD OBJECTIVELY Keep a diary for two weeks to analyze how you spend your day. Track time on strategic projects versus day-to-day firefighting. BENEFIT—Identify low-level activities eating up your time.

02 DETERMINE WHERE YOUR CONTRIBUTION IS NEEDED MOST Identify your strengths and weaknesses. Focus on what you're best at and delegate weaker areas. BENEFIT—Make your life easier and boost business performance.

03 IDENTIFY YOUR BEST PEOPLE Look for employees who can take responsibility. Hire people with skills that complement your own. Create clear job descriptions, evaluations and incentives. BENEFIT—Strengthen the range and depth of your company's expertise.

04 TRAIN. COACH. EMPOWER. TRUST. Build employees' skills through training and coaching. Build confidence by empowering them with responsibility. BENEFIT—Create a team that's ready, able and motivated to share the load.

EXPAND YOUR BUSINESS HORIZONS

05 SHARE YOUR BUSINESS STRATEGY WITH EMPLOYEES Hold regular town hall meetings. Discuss results, short-term goals and strategic objectives. Celebrate your victories. BENEFIT—Gain employee support and ideas.

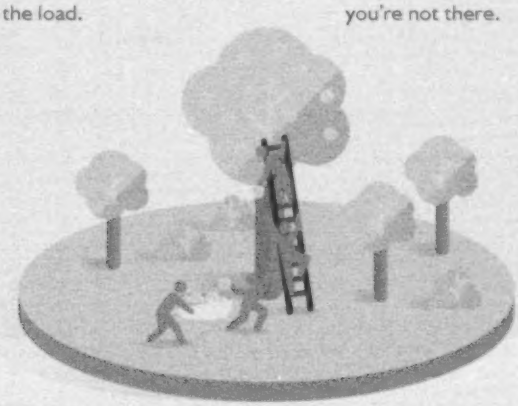
06 DEVELOP REPEATABLE PROCESSES Get all business processes out of your head and onto paper. Make sure processes are described clearly and fully so they can be easily learned. BENEFIT—Enable others to run the business when you're not there.

07 FOCUS ON RESULTS, NOT METHODS Leave employees to adopt their own working style; don't impose your methods. BENEFIT—Strengthen employee commitment and skills.

08 FOLLOW UP WITHOUT MICRO-MANAGING Maintain control by organizing one-on-one meetings with key managers. Ask for regular briefings on key projects. BENEFIT—Stay in control of your business and give feedback as necessary.

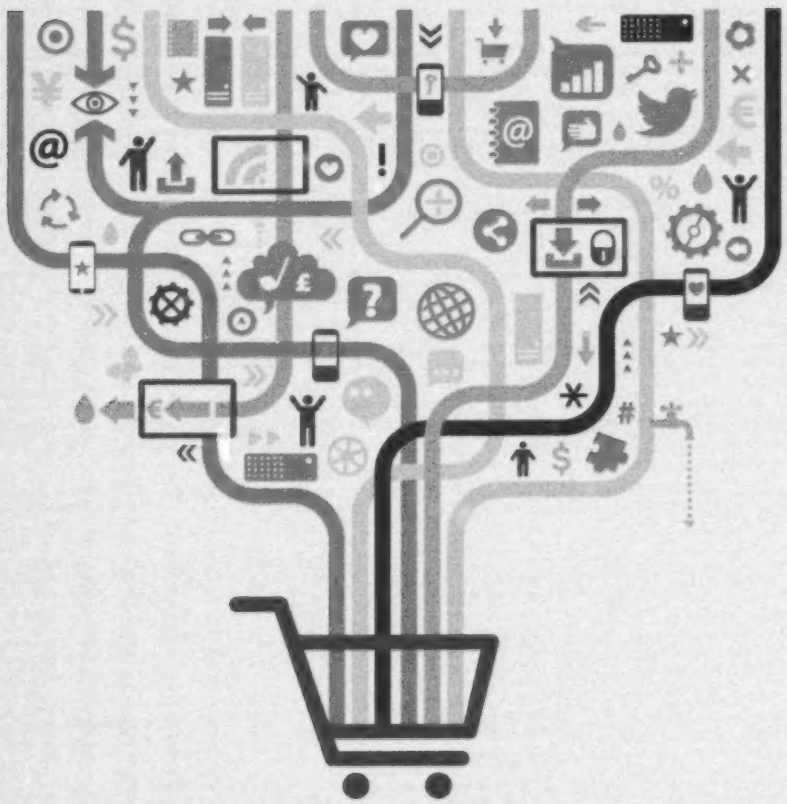
09 ENCOURAGE YOUR DIRECT REPORTS TO DELEGATE Teach your managers how to delegate. Make sure they keep themselves and you updated on key events. BENEFIT—Create a healthy structure that facilitates future growth.

For more business advice, visit bdc.ca/articlestools



GETTING STARTED WITH E-COMMERCE

5 ESSENTIAL STEPS FOR CREATING YOUR ROADMAP



01 DESIGNATE a person to be in charge of the e-commerce operation, even if it's initially on a part-time basis.

02 SELECT AN E-COMMERCE PLATFORM that meets your needs now and can be scaled up as you grow.

03 PREPARE YOUR BUSINESS to handle increased sales and get the merchandise to customers. You'll need the inventory and infrastructure to handle order fulfillment, shipping and returns.

04 DISCUSS WITH EMPLOYEES what modifications you may need to make to your accounting, inventory management and other information technology systems.

05 ESTIMATE YOUR START-UP COSTS

Keep in mind that growth can strain cash flow as expenses rise for inventory and overhead while revenue growth lags. Better to borrow money ahead of time than to wait until a cash crunch.

"You need to make sure your business processes are ready before you scale up your e-commerce efforts," says Frédérick Mannella, cofounder of LXR & Co., a Montreal retailer of vintage luxury products from brands such as Hermès, Louis Vuitton and Chanel. "On your site, you're making a promise to your customers, and you have to make sure you're fulfilling that promise at every level or they will walk away. People shop online for convenience, not headaches."

Download our free eBook, *Succeed with E-Commerce: A Guide for Entrepreneurs* at bdc.ca/youronlinestore. And watch a video featuring entrepreneur Frédérick Mannella at bdc.ca/ecommerce.

INVEST

in your e-commerce business

BDC's Internet experts can guide you through the steps of establishing or optimizing your e-commerce business. They will help you:

> Identify the most effective approach for your market
> Select the proper web platform and technology for your needs
> Increase your visibility in search engines
> Monitor activity on your site to improve performance

You can apply for a technology loan* to finance the cost of consulting fees and/or purchase hardware and software.

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* Certain conditions apply.

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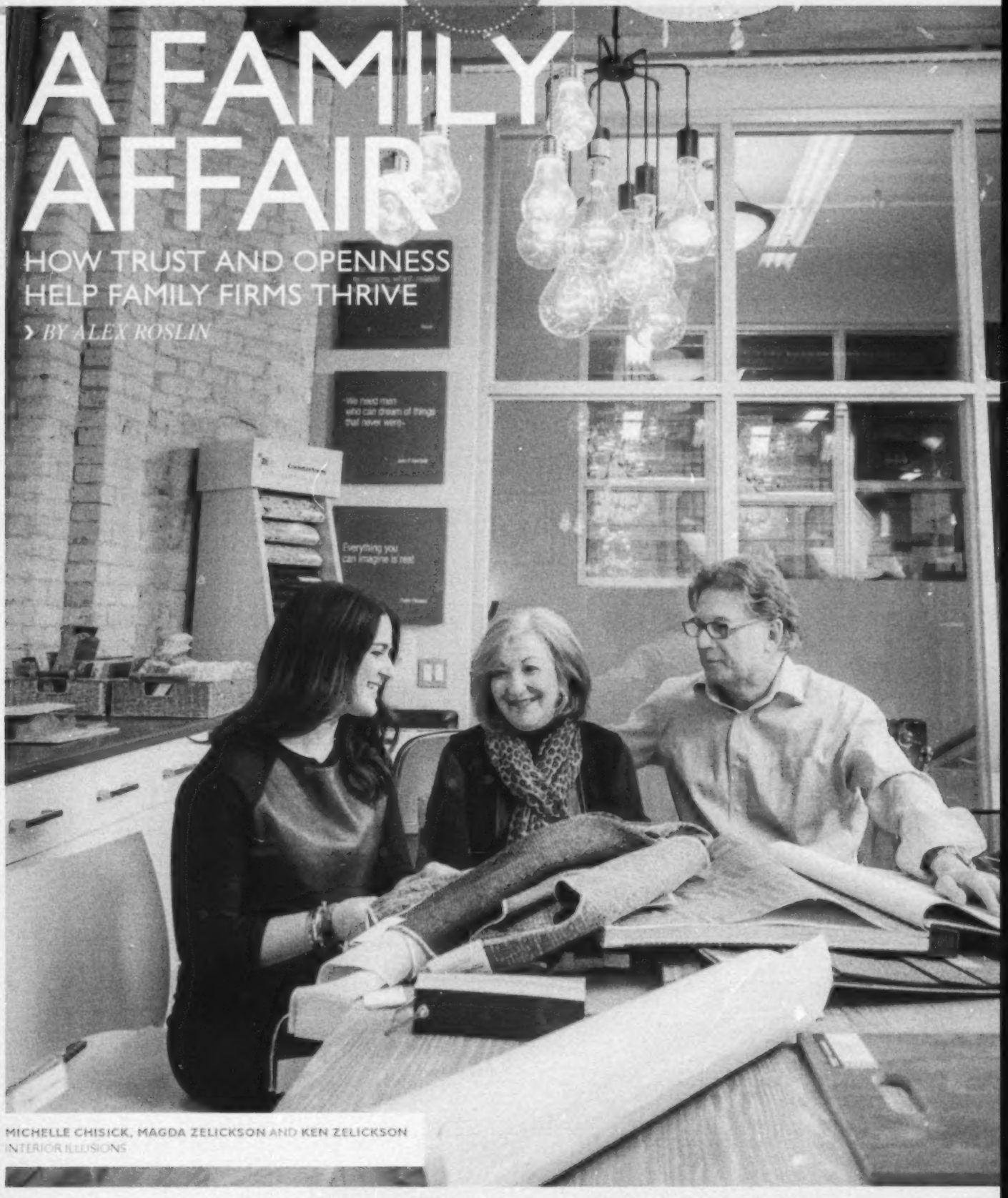
Canada

A FAMILY AFFAIR

HOW TRUST AND OPENNESS HELP FAMILY FIRMS THRIVE

› *BY ALEX ROSLIN*



MICHELLE CHISICK, MAGDA ZELICKSON AND KEN ZELICKSON
INTERIOR ILLUSIONS

A WELL-RUN FAMILY BUSINESS CAN BE AN ENDURING SOURCE OF SUPPORT, WEALTH AND SATISFACTION. BUT ALL TOO OFTEN CONFLICT UNDERMINES NOT ONLY THE COMPANY BUT FAMILY UNITY. HERE'S HOW TO KEEP YOUR FAMILY BUSINESS ON AN EVEN KEEL AND HEADING IN **THE RIGHT DIRECTION.**

Magda Zelickson and her family were in a tight spot. Their growing furniture and interior design business, Interior Illusions, was running out of space at its location in downtown Winnipeg. They needed more room to show off their premium sofas, tables and accessories, such as drapes, curtains and blinds.

The family-owned store lacked windows and was tucked away in a spot with little street traffic.

"We weren't growing the way we could," Zelickson says. "People were coming in who had seen the beautiful homes we were staging. But they were disappointed the pieces weren't there to see and sit on. We needed more floor space to showcase all that."

But Zelickson was nervous about the huge cost of a move, especially in 2012 with the recession still an all-too-recent memory. "It would increase our rent and overhead immensely," she says. "Would we recoup that?"

Arguing in favour of the move were her husband and long-time business partner, Ken Zelickson, and their daughter Michelle Chisick. Michelle had grown up in the store, working there part time as a teen. She joined the company full time after earning a master's degree in interior design.

OPEN DISCUSSIONS

The trio were used to honest and open family discussions about the business. Talking out the move together was what reassured Magda Zelickson it was worth the risk. "Knowing someone else was there to help with this—that was reassuring to my mom," Michelle says.

When the perfect space opened up in a prominent heritage building in Winnipeg's historic Exchange District, the family snatched it up. The ground-level, 11,000-square-foot store is close to twice the size of the old space and is bathed in sunlight from huge windows. Sales doubled in two years.

The success of Interior Illusions highlights some of the hallmarks of a well-run family business: trust, inclusion of younger generations and a passion for keeping the family legacy going strong.

Family-owned enterprises are the backbone of Canada's economy, accounting for four in five of all businesses and employing half the workforce, according to the Canadian Association of Family Enterprise.

MANY DON'T SURVIVE

Yet, just 30% of family businesses survive into the second generation, and only 12% make it to the third, according to a U.S. study.

Challenges often include a lack of communication and intergenerational clashes over decision-making and day-to-day management authority, says Bettie Johnston, BDC Senior Partner, Consulting in Winnipeg.

"It can be a challenge to work together as a family and share responsibility," Johnston says. "It's a very delicate balancing act.

"Parents often control things and don't want to share information. The younger generations end up lacking the knowledge they need to understand how the business is doing and what's involved in running it."

Johnston regularly finds herself called in to advise family businesses that have run into trouble because of a feud. "By the time we get involved, the company is in a lot of financial difficulty," she says.

HOW MUCH IS SHARED?

"One of the first questions I ask is: 'Who looks after the financials and how much is shared?' In most cases, a parent does it, and they don't share."

She advises family businesses to get younger generations fully involved, sharing their ideas and participating in decision-making. "They have the technological knowledge, understand new equipment and are often more open minded about what a company can do."

Sharing information is important for building trust and teaching family members how to manage the business, she says.

It's also important for younger generations to immerse themselves in the company to learn its ins and outs, and earn the trust and respect of parents and key employees. They should especially seek to understand the long hours and commitment of previous generations that led to the company's success.

"The younger generation may have a sense of entitlement and that the business is owed to them. But they haven't earned it," Johnston says. "Kids sometimes see how hard their parents have worked and don't want to put the time into it."

As a test of the younger generation's readiness, she suggests parents take time off and let their children run the business themselves for a couple of weeks. "It's a good experience for everybody, yet it's not going to put the business at risk."

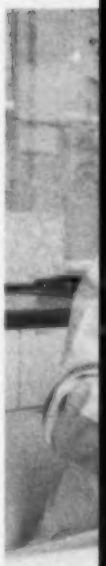
GRATEFUL FOR INPUT

At Interior Illusions, the Zelicksons embody many of these lessons. Magda is grateful for her daughter's input. The two go on buying trips together, and Michelle brought a new line of business to the store by offering interior design services.

Parents and daughter worked closely together to create a strategic plan and overhaul their website. (They hired BDC's consulting service to advise them on both projects and also obtained BDC financing for their move.)

The Zelicksons are glad to have someone to pass the business on to one day—although not just yet. ("Retirement is not in my vocabulary," Magda says with a laugh.) "My daughter brings a different perspective. I like the feedback, especially from someone who is as passionate as I am and enjoys it as much as I do," she says.

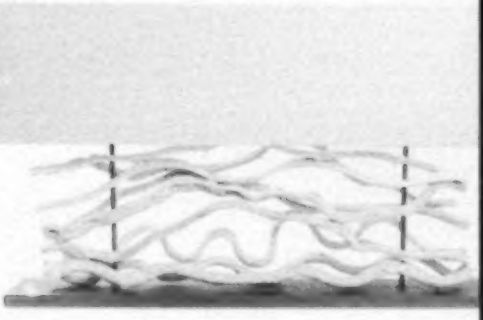
Having their daughter around has paid off in another way for Magda and her husband. They're finally taking an extended vacation—their longest time away since they founded the business 31 years ago. "With Michelle here, it's a little easier to leave," Magda says. Michelle adds, "When I went to university, I knew I wanted to get back here and work with my parents. I respect the wisdom they have, and they respect the fresh outlook I have. It's a good balance." $



> "MAKING DECISIONS TOGETHER AS A FAMILY HAS HELPED US BUILD A STRONGER BUSINESS."

4 TIPS FOR FAMILY BUSINESSES

THE KEYS TO A SUCCESSFUL FAMILY BUSINESS ARE TRUST, OPENNESS AND THE INVOLVEMENT OF YOUNGER GENERATIONS, SAYS BDC'S BETTIE JOHNSTON. HERE ARE SOME TIPS.

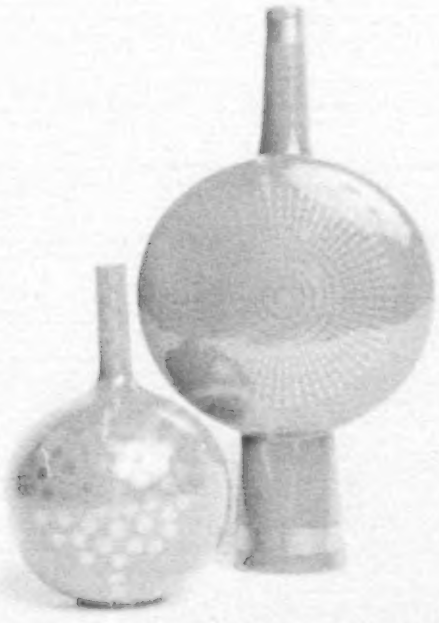


1. Involve the entire family in strategic planning. This builds consensus for the company's vision and a roadmap to the future.

2. Define clear roles for each family member. This gives everyone their own space—especially important for a couple working together—and lets them work in the area of the business best suited to their talents and interests. It also lets family members avoid stepping on each other's toes, which can help keep any internal rivalries in check.

3. Give younger generations a venue to share their ideas and a role in decisions.

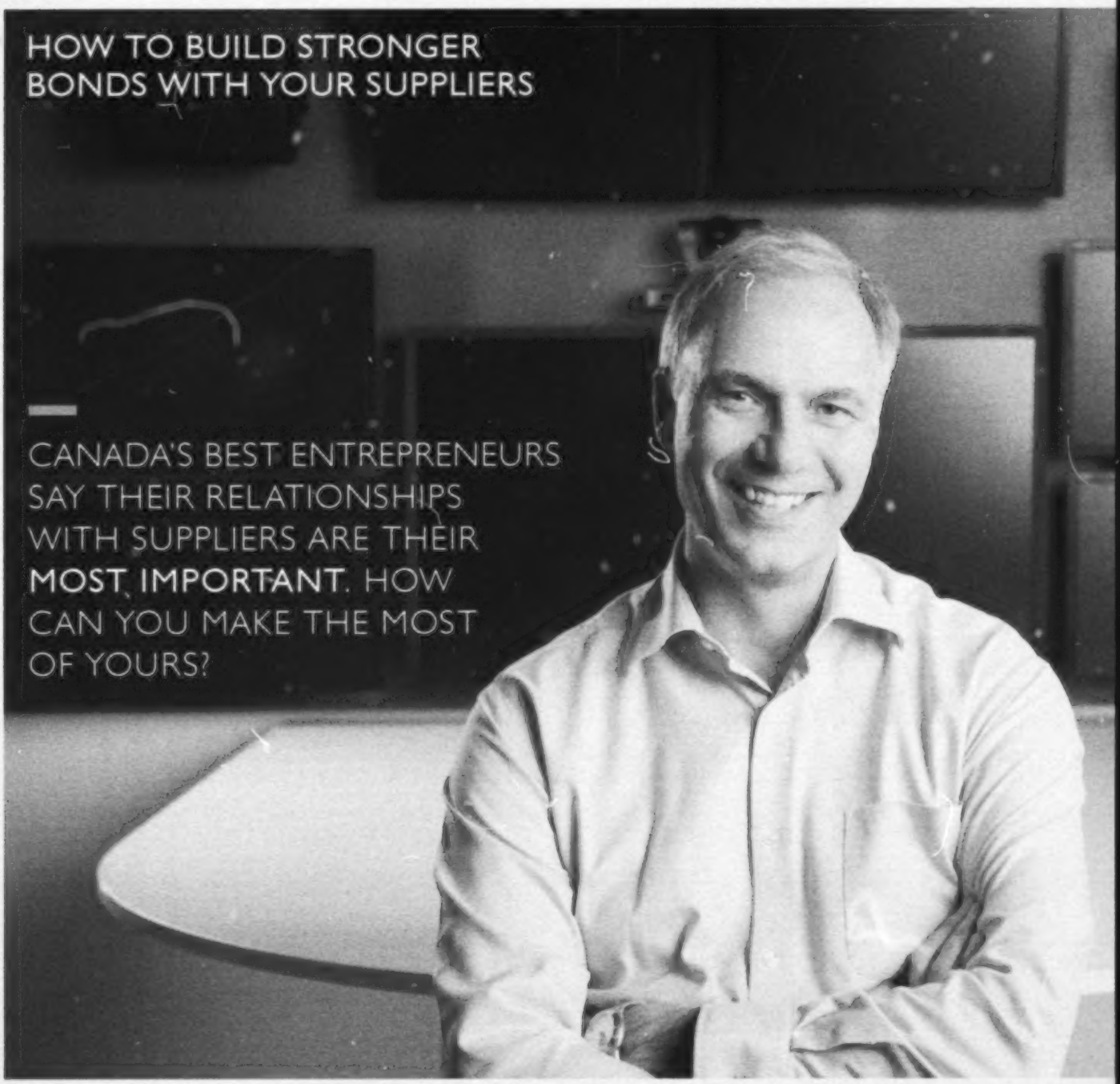
4. Encourage children to work elsewhere for a few years before they join the family firm. The experience will teach them skills, give them a new perspective and earn them respect from employees.



YOUR No. 1 RELATIONSHIP

HOW TO BUILD STRONGER BONDS WITH YOUR SUPPLIERS

CANADA'S BEST ENTREPRENEURS SAY THEIR RELATIONSHIPS WITH SUPPLIERS ARE THEIR **MOST IMPORTANT**. HOW CAN YOU MAKE THE MOST OF YOURS?



JIM GRAGTMANS
PRINCIPAL / ET GROUP

Transporting prisoners to court used to be a huge, costly job in Ontario. Tens of thousands of inmates needed to be brought to court appearances every year, each accompanied by up to three security officers.

Jim Gragtmans and his partners are helping change all that. Their Toronto-based ET Group is installing videoconferencing and other audiovisual equipment in hundreds of courtrooms, police stations and jails as part of the province's Justice Video Network. The equipment is now used by over 100,000 prisoners annually to address courtrooms, saving enormous sums for taxpayers.

Bell Canada, which became the prime contractor for the project in 2010, hired ET Group as its lead subcontractor for providing audiovisual systems for the video network.

"It has been a game-changer for us," Gragtmans says of the project. "Because of the contract, we have invested in new departments and people, and a bigger space."

Much of the project's success, he says, is due to the close relationship ET Group and Bell have nurtured with key suppliers, including technology giant Cisco. Sales have quadrupled since 2008 when Gragtmans and his partners bought their technology integration company.

Supplier relationships are often overlooked by businesses, but not by ET Group. Gragtmans says his company looks upon suppliers as strategic partners. That pays huge dividends when ET Group needs their ideas and help in delivering complex jobs, such as outfitting courtrooms with a bewildering array of equipment from different companies.

"Those collaborations with suppliers and our partner are where our growth is coming from," he says. "Sometimes we're trying to do some very unique things, and we need their creative minds in addition to our own."

VITAL RELATIONSHIPS

Developing good connections with suppliers—sometimes called supplier relationship management—is critical to business success, says Ashay Gude, a BDC Business Consultant in Halton, Ontario, just outside Toronto.

"Businesses are increasingly relying on suppliers to help reduce costs, innovate, improve quality and reduce lead time," Gude says. "Good relationships with suppliers can provide a competitive advantage."

In fact, the most successful Canadian entrepreneurs rank relationships with suppliers as their most important business relationships, according to a recent BDC survey of 1,000 Canadian small and medium-sized businesses.

Nearly one-third of the most successful firms said supplier relationships were critical to their success, in contrast to less than one-quarter of less successful companies.

CONTINUOUS EFFORT NEEDED

First-rate supplier relations require continuous, long-term effort, Gude says. He recommends that you start by identifying the few vital suppliers that contribute to your company's advantage over your competitors. "You have a vested interest in their success. Focus on building and maintaining partnerships with them."

He divides the process into several steps.

- First, evaluate all suppliers. Make sure they are the best ones for your business and that their products meet your needs. "You want suppliers who are aligned with your strategy," Gude says.
- Second, integrate key suppliers into your business. Learn how they operate, and make sure your systems work seamlessly with theirs in areas such as invoicing and order fulfillment.
- Third, collaborate on quality improvement, problem-solving and product development. Also, work together to improve capabilities and adopt best practices on both sides.
- Finally, measure performance continually and have structured ongoing discussions with your key suppliers about how to improve.

Ultimately, the idea is to work together as partners so both sides prosper, Gude says. "Sometimes companies focus just on the short term and only demand cost reductions from suppliers, rather than thinking strategically. That doesn't help in the long run."

WORKING TOGETHER

In Langley, B.C., Franco Aquila is a strong proponent of this approach. Aquila is CEO of Iplayco, a company that makes and installs play structures—everything from playgrounds to mini-golf courses and laser tag arenas.

Aquila tells an anecdote to illuminate his collaborative approach to relationships with Iplayco's more than 200 suppliers. The company was in the process of delivering a play structure in Sweden when one of its suppliers realized the slides they'd made were the wrong size. The supplier agreed to work around the clock to redo the product and ship it by air freight in time for the playground opening.

Far from cutting the supplier loose over the error, as some businesses might have done, Aquila helped cover the extra shipping costs and kept working with the company. "We don't want to create hardship for our suppliers," he says. "Everyone can make a mistake."

Aquila never makes a promise to a customer without first consulting key suppliers and regularly tells suppliers what his firm is planning down the road. "They appreciate being fully aware of what to expect from us."

Being kept in the loop about upcoming business means his suppliers don't have to be constantly on the lookout for new contracts. In return, they provide preferential pricing.

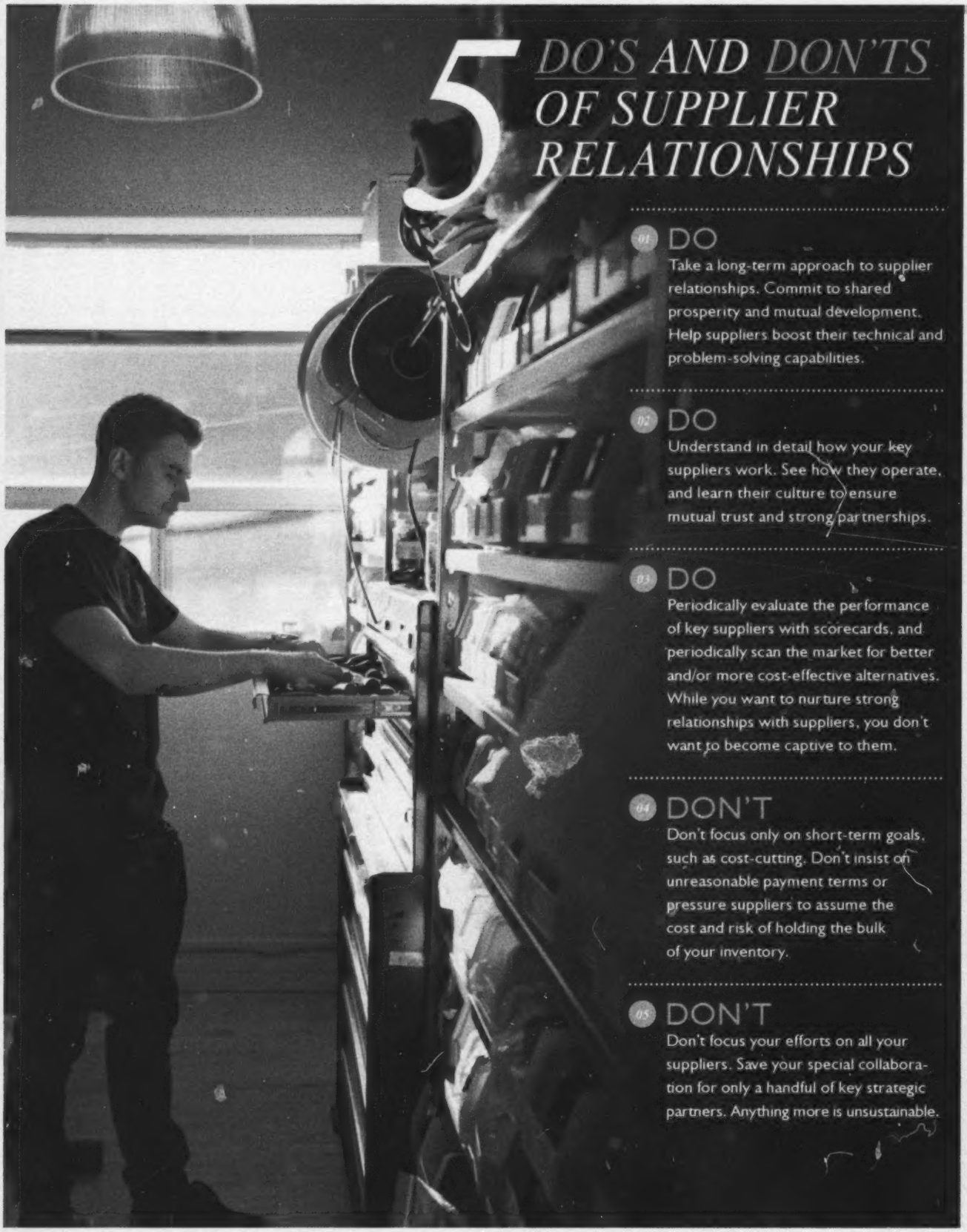
> "THANKS TO OUR SUPPLIER RELATIONSHIPS, WE'RE ABLE TO OFFER THESE HIGHER VALUE SOLUTIONS."

HIGHER VALUE SOLUTIONS

At ET Group, Jim Gragtmans follows a similar philosophy. His company works with about 100 suppliers in all, but it focuses extra attention on a handful of the most important. Both sides benefit.

ET Group, a BDC client, is now building on its close supplier connections to offer digital services to universities. In one project, the company is outfitting classrooms with video equipment to film lectures and creating a secure network to share them with students.

"Thanks to our supplier relationships, we don't just sell boxes of equipment any more. We're able to offer these higher value solutions," Gragtmans says. "We look for areas where our interests overlap with suppliers, and we really focus in on those areas. We share what our customer challenges and opportunities are, and how we might address those together. We're partners." $



5 DO'S AND DON'TS OF SUPPLIER RELATIONSHIPS

01 **DO**

Take a long-term approach to supplier relationships. Commit to shared prosperity and mutual development. Help suppliers boost their technical and problem-solving capabilities.

02 **DO**

Understand in detail how your key suppliers work. See how they operate, and learn their culture to ensure mutual trust and strong partnerships.

03 **DO**

Periodically evaluate the performance of key suppliers with scorecards, and periodically scan the market for better and/or more cost-effective alternatives. While you want to nurture strong relationships with suppliers, you don't want to become captive to them.

04 **DON'T**

Don't focus only on short-term goals, such as cost-cutting. Don't insist on unreasonable payment terms or pressure suppliers to assume the cost and risk of holding the bulk of your inventory.

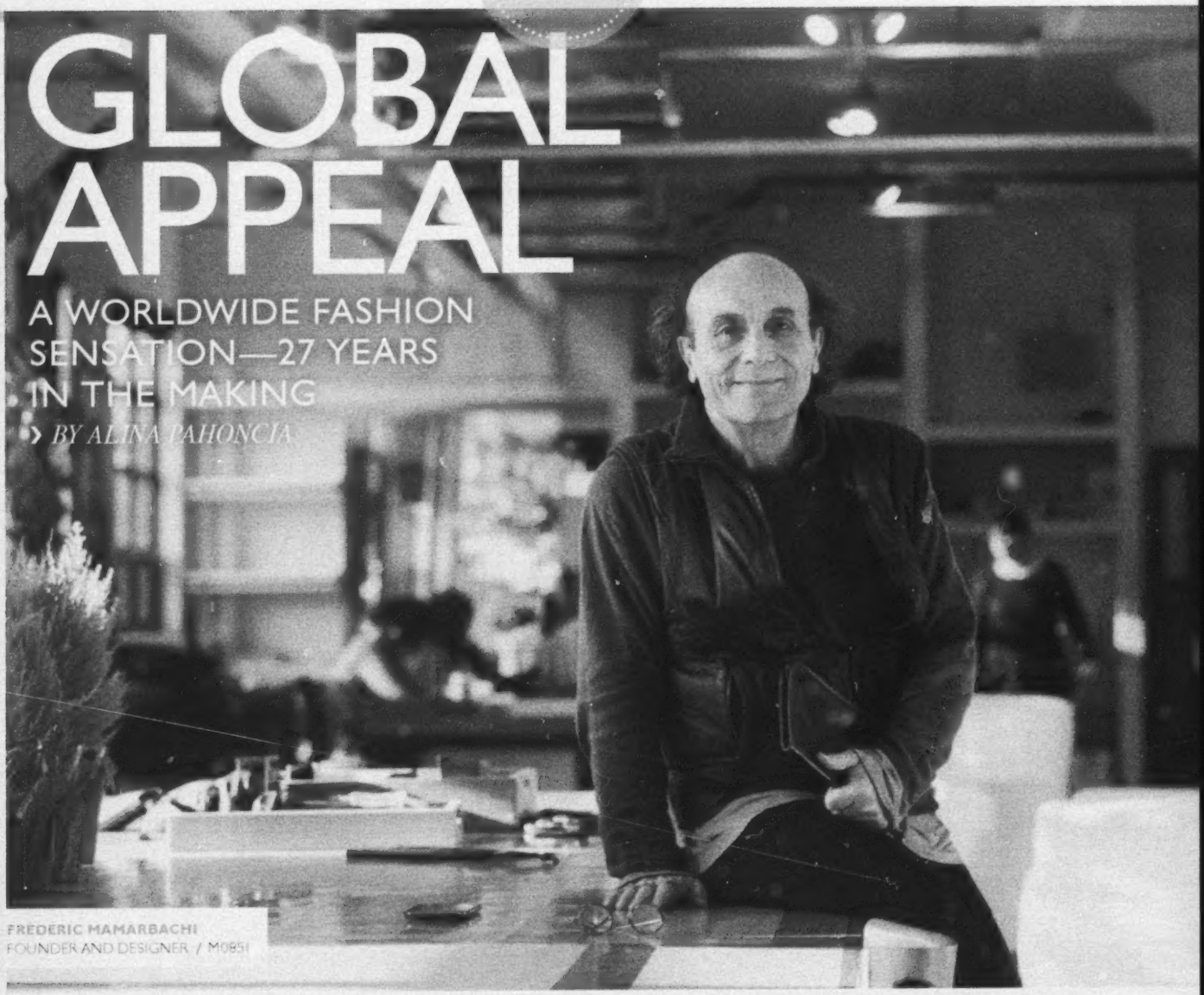
05 **DON'T**

Don't focus your efforts on all your suppliers. Save your special collaboration for only a handful of key strategic partners. Anything more is unsustainable.

GLOBAL APPEAL

A WORLDWIDE FASHION SENSATION—27 YEARS IN THE MAKING

› *BY ALINA PAHONCIA*



FREDERIC MAMARBACHI
FOUNDER AND DESIGNER / M0851

FRÉDÉRIC MAMARBACHI HAS ALWAYS HAD INTERNATIONAL ASPIRATIONS FOR M0851'S UNIQUE LEATHER HANDBAGS, COATS AND ACCESSORIES. HE SAYS OTHER CANADIAN COMPANIES CAN STRIKE OUT TO FOREIGN MARKETS IF THEY'RE WILLING TO DARE.

Just two years after founding his Montreal company, Frédéric Mamarbachi packed a suitcase full of samples and left for New York City.

It was on that 1989 trip that the owner of m0851 managed to get his Montreal-made leather creations onto the shelves of New York's prestigious Barneys and Bloomingdale's. A few years later, he was opening his own store in the trendy SoHo neighbourhood, thus starting his international adventure.

"People were telling me: 'You're still small, it's risky,'" Mamarbachi says. "But I didn't see why my products wouldn't sell abroad."

The 64-year-old entrepreneur spent a lot of time and energy developing his brand

internationally in the early days of m0851's expansion. "We had an apartment in New York and I was travelling to Italy every month," he says. "I don't travel anymore nowadays. I put my energy here, in Montreal."

What started in New York more than 20 years ago has turned into a huge international hit. Today, m0851, which stands for the first letter of Mamarbachi's name plus his birth month and year, has 150 employees and its leather handbags, coats and accessories are sold worldwide, including in Tokyo, Beijing, Paris and Los Angeles.

"We have 23 concept stores. And we plan to double this number over the next three years, with roughly 10 openings in the U.S. alone."

AN INTERNATIONAL MINDSET

The company's international expansion is a lesson for other Canadian entrepreneurs who want to take their business abroad. Only 10% of small and medium-sized businesses export, according to Statistics Canada. Canadian businesses are lagging behind in the globalization race and missing out on huge growth opportunities.

"The idea of keeping my brand local would have been suffocating," Mamarbachi says. "I wasn't afraid for a second that this wasn't going to work. We didn't need to adapt to market specifics, because we had such an international product."

Currently, 65% of m0851 sales come from outside Canada. Online sales account for 5% of sales, but Mamarbachi estimates this will grow to 50% within five years.

"The Internet is changing everything. People come to the store once, they look around and they buy something. The next time, they'll probably shop online."

Going against the grain in the fashion industry, Mamarbachi designs and manufactures all of his m0851 products in Montreal, keeping a close eye on quality control.

"The philosophy behind our products is simple: They need to become more beautiful with age and last a long time. My greatest reward is still seeing people using bags we made 25 years ago."

When entering m0851's Montreal production facilities and offices, visitors encounter video images projected on the walls, showing real-time action in the company stores around the world.

One area of the factory evokes artisanal workshops of old, with craftsmen hand-cutting leather imported from Italy and the Netherlands. But the operation is far from old-fashioned. Three new leading-edge automated machines cut fabric, thread and leather. "We have made a lot of investments to be more efficient as we expand abroad."

A LOYAL CUSTOMER BASE

The success of the m0851 label—with prices ranging from $200 to $600 for handbags, and winter coats costing up to $1,800—can be attributed to a loyal customer base that wants high-quality, functional products that are not ostentatious.

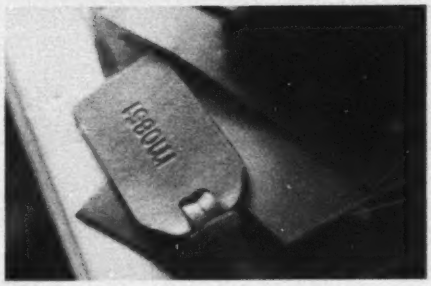
"The fashion industry would have people look richer than they really are. Our clients want to look like they have good taste, that's all. There's a subtlety to our products that's reflected in everything we do."

Mamarbachi carefully chooses locations for his new stores. Recognizing the power of anchor stores for brand building, he invests a lot of resources in the first store he opens in a given country.

"Once the first one is going strong, we can easily open 10 more. But you can't rush things. You can make up for little errors here and there. But at the beginning, you can't make a big blunder."

A FRANCHISING STRATEGY

Franchising has become one of the main pillars of the company's growth strategy.



Many franchisees worked for years at the Montreal operation, where they were steeped in m0851's brand philosophy. "It's as though we were training the next generation of m0851 entrepreneurs," Mamarbachi says.

His strategy is to launch corporate stores in markets he knows well and franchises in specific, less familiar markets.

"I can do France or Belgium, but I can't do Japan or Korea," he says. "Plus, you can't invest everywhere. The Japanese invested a good $3 million to $4 million in five m0851 franchises. That's a lot."

Japan is a huge market for m0851, with five more franchises scheduled to open there before 2017. "A few actresses talked about us in Japan," Mamarbachi says. "There were long lineups for our products and our stores were selling out in three days."

ALWAYS STRIVING TO IMPROVE

The company remains a family affair. Mamarbachi oversees all aspects of production and designs his own stores. His 36-year-old daughter, Faye, is in charge of operations. "I want people to feel that we are consistent in everything we do," he says.

With a 15% to 20% increase in sales per year, Mamarbachi doesn't plan on stopping anytime soon. "I was born in Lebanon, a very competitive place," says Mamarbachi. "The idea of being the best will always be part of me and be reflected in our products." $

LESSONS LEARNED

01 **DON'T BE AFRAID OF INTERNATIONAL MARKETS.** FRÉDÉRIC MAMARBACHI THINKS THAT CANADIAN ENTREPRENEURS HAVE TO DEVELOP AN INTERNATIONAL MINDSET. "THERE ARE CUSTOMERS ALL OVER THE WORLD FOR YOUR PRODUCTS," HE SAYS. "YOU NEED TO DARE TO GO INTERNATIONAL." 02 **PLAN YOUR EXPANSION, BUT BE FLEXIBLE.** "IN MY EXPERIENCE, STRICT PLANS HAVE OFTEN DONE MORE HARM THAN GOOD. SO WE HAVE PLANS BUT MAKE SURE THEY ARE FLEXIBLE." 03 **DON'T VENTURE BLINDLY INTO MARKETS.** THE GOLDEN RULE TO SUCCEED ABROAD IS TO DO YOUR HOMEWORK BEFORE ENTERING A NEW MARKET. MAMARBACHI OPENS HIS OWN STORES IN COUNTRIES HE IS FAMILIAR WITH AND EXPANDS ELSEWHERE THROUGH FRANCHISES.

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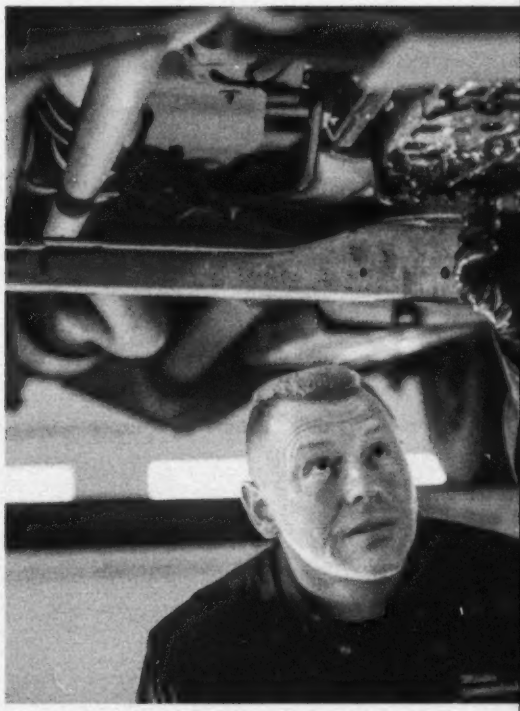
BETTING IT ALL

A STORY OF ADVERSITY, PERSEVERANCE AND BEATING THE ODDS



Chris Kennedy was still a teenager when he married his high school sweetheart and began apprenticing to become an automotive technician. Over the next 10 years, he worked at dealerships, becoming a master technician specializing in transmissions and electrical systems. When he became disenchanted with working conditions at a dealership, he made his way to a job at a Mister Transmission franchise in Orillia, Ontario. There, he found a professional home and was soon encouraged to open his own franchise. After a search, he decided the best option was to open a Mister Transmission in Moncton. So he and his father-in-law, Gene Lewis, sold their homes in the rural Lake Simcoe area, north of Toronto, and went in as equal partners on the business. Kennedy, his wife, their newborn son and his mother, along with Lewis and his wife, all moved to begin a new life in the Maritimes. The adventure started with high hopes but trouble began almost immediately. Now, after years of adversity, Kennedy and Lewis have fought back. Today, their business is profitable and growing, and Kennedy was named 2014 Canadian Technician of the Year.

You know, it's not easy in high school, right? You throw in a divorce and a boy who is not responding well to his mom as an authority figure. My uncle—not my real uncle, but a close family friend—was concerned about me.

He got me a job working with him in northern British Columbia. Every summer I would leave Ontario to work for a hunting guide outfitter. I worked there from when I was 14 until 19.

It's beautiful mountainous country. We moved over 5,000 square miles on horseback. They would fly the hunters into certain base camps, via pontoon planes, and we would pick up them up at these locations and take them on 21-day hunts for mountain Stone sheep, caribou and moose.

The year that I was to be certified as a guide, I got married. That kind of firmly planted me in Ontario and I had to make a decision, a career change. That's when I got into the automotive industry.

The automotive technician trade immediately allowed me to have a source of revenue. It gave me the freedom and independence to be able to start a family with my wife and pay my bills.

The man who owned the Mister Transmission franchise in Orillia, Ontario, offered me a job with him. It was the best time for two years. I didn't have a worry in the world.

I was laughing, having a beer on the back deck, telling Gene, my father-in-law, about this vice president who said I should be a franchisee. He looked at me and said: "No, I would agree with what he had to say about you, and I would support you."

We looked at all these different locations in Ontario. Then, one day, the vice president phoned. I was building a transmission and he said, "How about Moncton?" And I said, "Okay, where is Moncton? Point me in the direction."

My wife and I flew to Moncton and right away we found out our values lined up with the Maritimes way of life. I got off the plane and I was at home, right from day one.

Gene decided to become a full partner and, to my surprise, leave his job, sell his home and leave everything behind to come with us. Gene came with his wife. And my mom also came from Ontario. We all moved down to Moncton. We just parachuted in.

I was just stoked because I was happy to become an entrepreneur. It was like a dream becoming reality for me.

We found a location and signed a lease for five years. It was a nice location for us—high traffic area, the shop was nice.

I'd just literally finished painting the shop and the signage was going up the next day. I had a cheque drafted and I was on my way to give it to the gentleman who owned it when my phone rang and it was our lawyer. She said, "You cannot give him that cheque." I go to the office and she lays in front of me the notice that he hadn't paid his payroll, hadn't paid his HST. And the sheriff was basically ready to lock the place down.

> "I HAVE NEVER QUIT YET AND I JUST FEEL A LOT MORE CONFIDENT ABOUT BEING ABLE TO TAKE ON THE FUTURE."

We searched high and low for months to find another place. It was basically by going door-to-door that I found the location we are in now. We found a way to make a deal to purchase this place.

To make a long story short, they did an environmental test and when they poked a hole through the floor, they hit oil and we were in trouble. We were on the hook for another $67,000. We'd been out of work for six months and now we had an environmental mess.

We finally opened up and had a rather dismal performance, to say the least. We struggled financially for probably the first four years. I give Gene credit for the management experience, but as for the entrepreneurial mindset, the only part of it that we really had was the drive. We didn't have the knowledge and understanding we do now. If we hadn't had perseverance, we might not have survived.

Gene was trying to look after the outside sales and run the front of the shop. That's two jobs right there. My wife was doing all the bookkeeping. I was working on the cars, training the staff and trying to keep our head above water.

The relationship between Gene and me just went sour. Let's face it, neither one of us was happy. You come to work every day and that tension and stress of not having enough funds all the time put an enormous amount of pressure on everyone.

It was many nights where I would go home and lie awake and wonder: "How are we going to make the payroll this week? How am I going to pay my mortgage? Because I don't have any savings left."

Never mind the fact my relationship had soured with my father-in-law. I've got a wife and two young boys. I'm not going to have a home. I'm done.

It's a pretty humbling thing to realize your hopes and dreams are now a nightmare and things are seemingly out of your control. It's a pretty dark place to be.

We hired a consultant who specializes in the automotive aftermarket. And he was the first one who said, "Yeah, you are in a bad situation, but this can be turned around. I've seen worse." That was my first little ray of hope.

You could say we had an epiphany. We realized we needed to focus more on profit margins. Cash flow projections, sales, margins—on everything. We raised the hourly rate, and we knew we needed to achieve this many hours in a day. I knew I needed $1,100 to turn the key here when I opened in the morning to break even.

The cool thing about numbers and book people is that they can see a turnaround happening before you can see it happening. The accountant said to me, "Chris, look here. You're doing a lot better."

He said what you need to do now is to get a new mortgage and, besides that, you need to get a new roof. So I did research online and I decided the best people for me would be BDC.

Luckily, I think the people at BDC believed in me and saw the fact that we did have the perseverance. I think they also respected the fact that we had turned the corner already on our own, with limited help.

So they decided to lend us the money and a consultant from BDC came on board. She coached me to learn cash flow management

and forecasting and budgeting—the things I do now religiously.

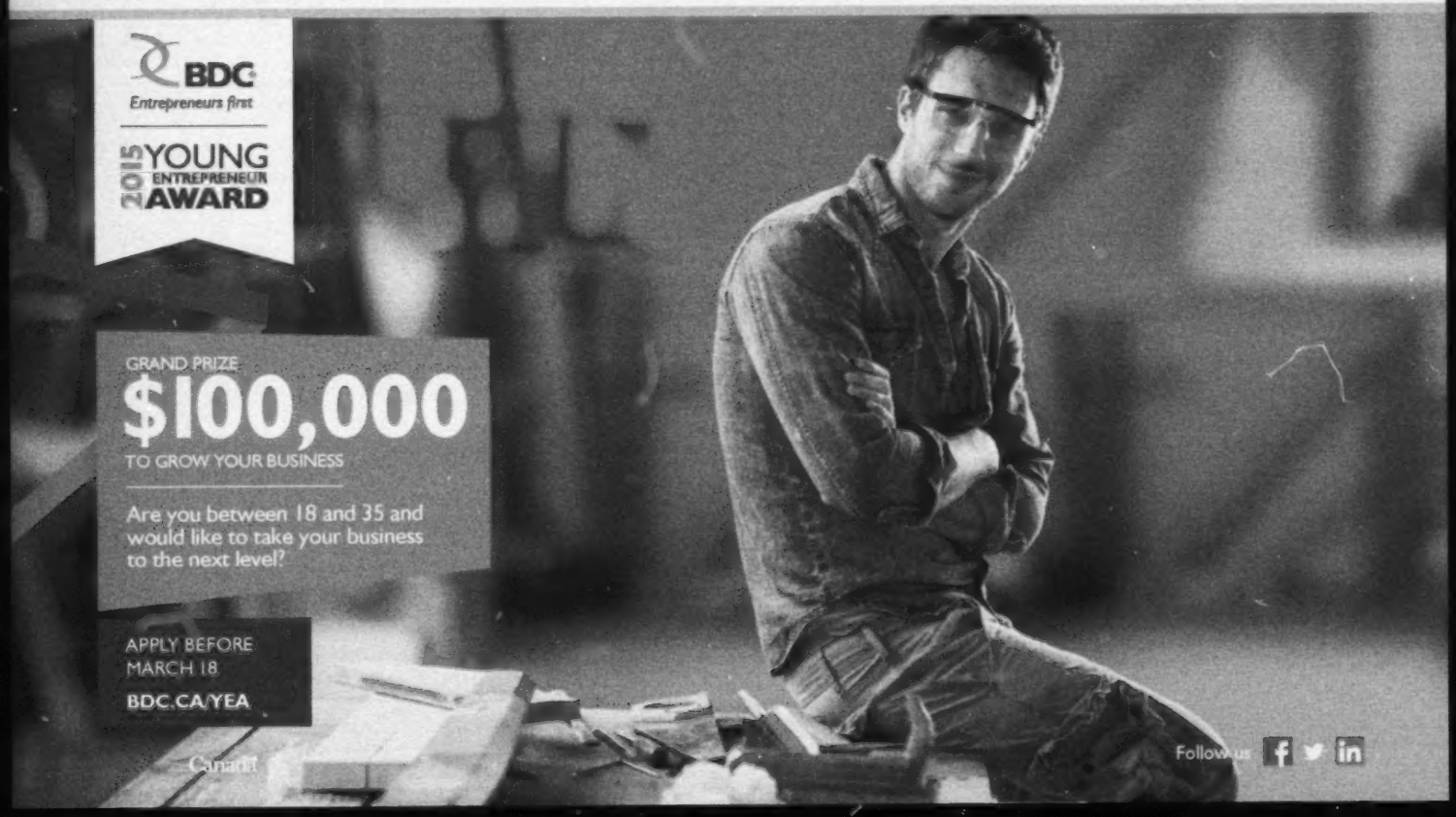
We're still not getting rich, but the thing is that revenue is up 15% this year. Our profit is still small, but it's triple what we did last year.

I went to Toronto to receive the Canadian Technician of the Year award. It meant a $10,000 reward for me and I'm a spokesman for the technicians of Canada for the year. It's pretty cool.

My relationship with Gene is good. There are still some wounds there but, you know, time heals and things are much better.

The future is bright. It's those lessons I've learned along the way that have contributed to my belief that I will never quit. I have never quit yet and I just feel a lot more confident about being able to take on the future. $

AS TOLD TO **DON MACDONALD**



PIERRE CLÉROUX
BDC CHIEF ECONOMIST
@PierreCleroux

OPTIMISM IN THE FORECAST

DESPITE SOME CLOUDS, ROBUST GROWTH IN THE U.S. WILL STIMULATE THE WORLD ECONOMY IN 2015.

As we embark on a new year, Canadian exporters are already benefitting from an expansion south of the border, as well as the lower dollar.

Exports increased by 11% in the first 10 months of 2014. That, in turn, stimulated the manufacturing sector, which grew by 6% during the same period. In fact, exports were the main drivers of the Canadian economy in 2014.

CONCERNS REMAIN

However, some economists remain concerned about clouds hanging over the world economy. Europe, China, Brazil and Russia are all showing signs of difficulty and slower than expected growth. And modest global economic growth, combined with increasing supply, has led to lower commodity prices, including a sharp decline in the price of oil.

So, what does all this mean for 2015? The U.S. economy will continue to improve. It has finally recouped all the jobs lost during the recession and is creating more than 200,000 per month, on average. In fact, more Americans are working today than before the 2008–09 recession.

READY TO SPEND

Also, consumer debt south of the border has declined significantly since the recession, so Americans have the means to buy a new house, hit the malls and visit car showrooms. Vehicle sales reached a historic high in 2014, and the housing market is rebounding and will continue to grow significantly in 2015.

While consumers will be the real drivers of growth in the U.S., governments and businesses are also enjoying improved financial situations and will contribute to growth in 2015. Governments are increasing spending for the first time since 2010, while business investment is growing more rapidly thanks to higher confidence.

As a result, the U.S. manufacturing sector is growing, led by the automotive, aerospace and housing sub-sectors.

STRENGTH IN MANUFACTURING

In 2015, this renewed growth in the U.S. manufacturing sector will benefit the Canadian economy, including the aerospace, automotive and lumber sectors, among others. Rising exports will stimulate the manufacturing sector in every part of the country.

We expect greater business investment by Canadian exporters and that should have a ripple effect, boosting other sectors of the economy. Consumer spending will remain strong, supported by higher employment levels and an increase in disposable income.

Lower oil prices are a source of concern in some parts of the country and will have a negative impact on Canadian economic growth. However, the impact will be limited, since the Canadian economy is very diversified. Oil and gas extraction represents about 5% of Canadian GDP.

CONDITIONS GOOD

In summary, the world economy is moving into a period of growth, led by a stronger U.S. economy. With a lower dollar, Canadian businesses are well positioned to benefit from growth in the U.S. and other parts of the world.

With credit conditions continuing to be favourable in 2015, all the pieces of the puzzle are in place for entrepreneurs to invest for the future. Is your business ready for a new wave of growth? $

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